



# 2018 BUDGET IN BRIEF

## INTRODUCTION

This document provides information about the City of Milwaukee budget and its priorities; the city's approach to balancing its budget; the funding sources that pay for city services and infrastructure; and 2018 budget expenditures.

## MISSION

The city government's mission is to enhance the safety, prosperity, and quality of life of residents, property owners, and employers. In short, the city strives to make Milwaukee a good place to live, work, and invest.

## CITYWIDE PRIORITIES

The following priorities guide the city's budget:

- Provide safety and stability for all Milwaukee neighborhoods
- Increase economic opportunity and family supporting employment for all residents
- Protect children's health and support their educational success from birth to adulthood
- Preserve and leverage the city's environmental and physical assets

## 2018 BUDGET HIGHLIGHTS

The city's 2018 budget is \$1.53 billion. The budget maintains structural balance while managing the fiscal impact on taxpayers.

- The budget provides a tax levy increase of 3.7% or \$9.7 million over 2017
- The tax rate per \$1,000 of assessed value remains unchanged from the 2017 rate of \$10.75
- City property taxes on the average-valued home increase \$36.00
- The 2018 municipal service fees increase \$11.51 for the typical homeowner

In 2018 the city continues its investment in core infrastructure programs, maintains the Mayor's Strong Neighborhoods Plan, expands the lead water service line replacement program, and commits substantial resources to public safety.

Despite significant fiscal challenges, the 2018 budget responsibly finances the city's long-term obligations while maintaining core services that contribute to a safe city, neighborhood quality of life, and public health.

## CITY OF MILWAUKEE CREDIT RATINGS

Credit ratings represent the quality of a city's credit. The firms who assign the ratings use several economic and institutional factors to evaluate the government's ability to repay its debt as scheduled. Milwaukee's current ratings (shown below) represent very high quality credit and allow the city to maintain relatively lower borrowing costs.

### Credit Ratings

Standard & Poor's	AA
Fitch	AA

## COMMUNITY PROFILE

### Population

Total Population	595,047
Median Age	31.0 years
Population by Race/Ethnicity	
Black or African American	39.2%
White, not Hispanic or Latino	36.0%
Hispanic or Latino	18.2%
Asian	3.8%
American Indian and Alaska Native	0.6%
Two or more races	3.7%

### Residential Housing

Number of housing units	256,971
Percent of owner occupied housing units	41.7%
Average residential property value	\$108,400

### Economy

Total employment	266,338
Population in labor force	282,699
Unemployment rate	5.8%

### Income

Per capita personal income	\$20,630
Median household income	\$36,801
Percent of population below poverty level	28.4%

# BUDGET OVERVIEW

The city's budget provides an operational plan for delivering services to the community. The budget establishes expenditures and revenues, subject to State statutory restrictions. Milwaukee adopts an annual balanced budget, which means that revenues meet expenditures.

## STRUCTURAL BALANCE

The city faces a persistent challenge of achieving "structural balance". Structural balance is a government's ability to fund existing expenditures over time with its projected ongoing revenues. A gap between existing expenditures and ongoing revenues is referred to as a "structural imbalance".

In recent years the city has made significant structural improvements to its budget. However, challenges remain, including State aid decreases, the ongoing need for employer pension contributions, and debt service for increased commitments to infrastructure and neighborhood improvements.

## FINANCIAL OBJECTIVES

As the city develops the annual budget, it has two primary financial objectives:

1. Provide mission critical services while limiting the increase in tax levy and municipal service charges on the typical residential property to 3% or less.
2. Manage long term obligations such as core infrastructure, debt, and pension benefits in a manner that stabilizes ongoing funding requirements.

## BUDGET STRATEGIES

The city's strategy to achieve structural balance includes three main components:

- **Resize:** Reduce the scale of city government operations
- **Restructure:** Increase productivity and reduce staffing through technology, automation, and functional consolidations
- **Reinvest:** Make strategic investments in equipment, data applications, process improvements, and people; and engage in redevelopment to improve the tax base and economic opportunities

## BUDGET PROCESS

### Departmental Budget Requests • Mid-Mar. to 2<sup>nd</sup> Tue. in May

City departments review operational needs for the next year and submit budget requests to the Budget Office.

### Budget Review • Mid-May to September

The Budget Office reviews all budget requests and prepares recommendations for the Mayor's consideration.

### Mayor's Public Hearing on the Proposed Budget • August

The Mayor holds a public hearing to provide an opportunity for citizens to ask questions and make comments and recommendations regarding the upcoming budget.

### Executive Budget Presentation • September 28 Deadline

On or before September 28<sup>th</sup>, the Mayor presents his Proposed Executive Budget to the Common Council.

### Legislative Hearings • October

The Finance and Personnel Committee reviews the Proposed Executive Budget on behalf of the Common Council. The Committee reviews each departmental budget separately, getting input from the departments and the Budget Director, and requesting additional information as necessary.

The Finance and Personnel Committee may propose amendments to the Executive Budget for consideration by the Common Council. In addition, individual Council members may sponsor amendments to the proposed budget.

### Public Hearing • Early October

The Mayor and Common Council hold a joint public hearing on the budget prior to budget adoption. All interested parties have an opportunity to comment on the budget during the hearing.

### Budget Adoption • November 14 Deadline

On or before November 14<sup>th</sup>, the Common Council meets to review the Finance and Personnel Committee's recommendations; accepts, rejects, or modifies amendments as proposed; and adopts the budget.

After the Common Council has adopted the budget, it is forwarded to the Mayor for signature. Within seven working days the Mayor may sign the budget or veto individual line items. Mayoral vetoes are returned to the Council for a vote to either sustain or override the veto. The budget becomes final when it has been signed by the Mayor and returned to the Council without vetoes.

# BUDGET STRUCTURE

The City of Milwaukee uses fund accounting to ensure compliance with finance-related legal requirements. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The city's budget is divided into two groups of funds: Property Tax Supplemented Funds and Special Revenue Funds.

## PROPERTY TAX SUPPLEMENTED FUNDS

\$1.18 billion

### **General City Purposes Fund** **\$622 million**

Funds the general operations of the city. This includes departmental expenses and expenses for employee health care benefits and workers compensation.

### **Employee Retirement Fund** **\$126 million**

Funds payment of employer pension contributions, social security contributions, and the city's supplemental deferred compensation plan.

### **Capital Improvements Fund** **\$143 million**

Funds the purchase, construction, enhancement, or maintenance of physical infrastructure systems, facilities or equipment, or redevelopment. Infrastructure systems include bridges, streets, alleys, sidewalks, street lighting, and traffic control. Water, sewer and parking infrastructure expenses are funded in the respective enterprise funds.

### **City Debt Fund** **\$280 million**

Funds the principal and interest on bonds issued by the city to finance capital improvements.

### **Contingent Fund** **\$5 million**

Funds unanticipated emergencies and purposes not otherwise provided for in the budget.

## SPECIAL REVENUE FUNDS

\$357 million

### **Enterprise Funds** **\$306 million**

Enterprise funds are segregated funds that support "business-type" operations financed primarily by user charges. They include the following:

#### *Water Works* **\$140 million**

The Water Works is a city owned utility whose fees are regulated and approved by the State's Public Service Commission. Funds all activities necessary to provide water services to city residents and 16 other municipal customers. Activities include administration, billing and collection, operations, maintenance and financing.

#### *Sewer Maintenance Fund* **\$108 million**

Funds operations and capital improvements of the city's sewer system as well as general fund operations pertaining to storm water management. The two primary revenue sources paid by users are the Local Sewerage Charge and the Local Storm Water Charge.

#### *Parking Fund* **\$48 million**

Funds administrative and operations costs for parking services, including construction and maintenance of parking lots, meters and structures. Revenue is generated through citations, parking meters, parking permits, rentals and leasing of parking facilities.

#### *Economic Development Fund* **\$11 million**

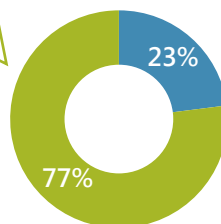
Funds economic development purposes including Business Improvement Districts (BIDs) and Neighborhood Improvement Districts (NIDs).

### **Grant and Aid Fund** **\$43 million**

Accounts for Federal, State, and other grants whose proceeds are legally restricted to expenditures for specific purposes.

### **County Delinquent Tax Fund** **\$8 million**

Acts as a reserve against uncollected County delinquent property taxes.



# REVENUES

The city generates revenue from several sources. The largest revenue sources are property taxes, intergovernmental revenue, general fund user charges, and enterprise fund user charges. These revenues make up 57% of the entire \$1.53 billion budget. Property taxes, intergovernmental revenue, and general fund user charges also make up 81% of the \$622 million General City Purposes budget.

The City of Milwaukee is unusual in its reliance on three primary revenue sources for general city purpose revenues. Most cities with a population of 300,000 or more have a more diverse revenue portfolio. While Milwaukee's total revenue per capita is significantly less than that of most comparably-sized cities, Milwaukee's unusually narrow revenue portfolio results in relatively high property taxes.

Wisconsin's tax system is designed to assess sales, income, and various business and excise taxes, and redistribute them to municipal governments as "shared revenue." This distribution is intended to provide municipal governments a similar ability to raise revenue using reasonable tax rates regardless of their property tax wealth.

However, over the last 20 years the State's fiscal support of municipal governments has changed considerably. While State general purpose tax collections have grown significantly, the Shared Revenue payment to Milwaukee has decreased.

## MAJOR SOURCES OF TOTAL BUDGET REVENUE

### **Property Taxes** \$273.5 million

Property taxes are levied on the assessed value of all general property located in the city, excluding property that is exempt from the property tax. Of this amount, 53% or \$144 million is allocated to two non-discretionary purposes: debt service and the employer pension contribution. Property taxes are 17.8% of total budget revenues.

### **Intergovernmental Revenue** \$268.2 million

Intergovernmental revenue includes revenues received from the State government. The largest amount of State aid received by the city is State Shared Revenue, at \$219.1 million. Intergovernmental revenues are 17.5% of total budget revenues.

### **General Fund User Charges** \$129.2 million

State statutes authorize local governments to recover the cost of current services and regulatory activities from service users and the regulated entities. The City has increasingly relied on user charges over the last 15 years, largely in response to State aid reductions. This revenue enables the allocation of property tax revenues and State aids to departments with low cost recovery potential, such as Police, Fire, Library, and Infrastructure services. The Local Solid Waste Charge (\$38.9 million) is the largest user charge in the 2018 General Fund Budget. General Fund user charges are 8.4% of total budget revenues.

### **Enterprise Fund User Charges** \$200.8 million

These revenues include Water Works operating (rate) revenue (\$96.5 million), subject to Public Service Commission approval; Sewer Maintenance Fund charges (\$65.2 million); and Parking Fund current revenues (\$39.2 million).

### **Other Sources**

A complete listing of other sources of revenue is provided in the 2018 Plan and Budget Summary. Other sources of revenue include borrowing proceeds, Tax Incremental revenues, Business Improvement District assessments, grants, fines and forfeitures, and licenses and permits, among others.

## PROPERTY TAX LEVY

The city's property tax levy for the 2018 budget is \$273.5 million. It is important to note that the property tax levy for "city government purposes" represents 36% of the total tax levy paid by Milwaukee property taxpayers. The remainder of the total \$749.6 million tax levy is allocated as follows:

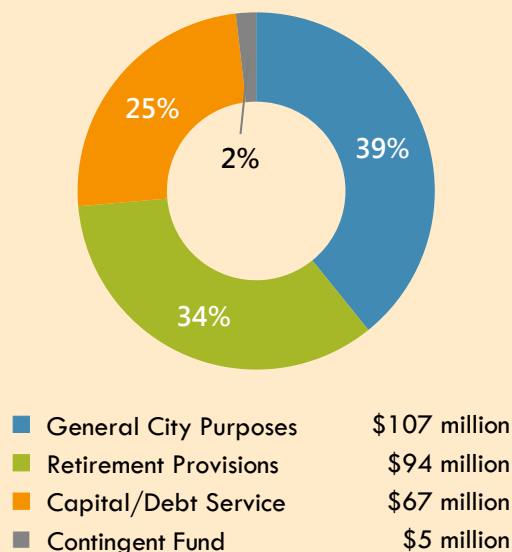
- Milwaukee Public Schools: 36%
- Milwaukee County: 17%
- Milwaukee Metropolitan Sewerage District: 6%
- Milwaukee Area Technical College: 4%

The 2018 budget tax rate for the City of Milwaukee is \$10.75 per \$1,000 of assessed value, which remains unchanged from the 2017 budget rate. The overall 2018 tax rate for Milwaukee property owners is \$27.30, a \$1.40 decrease from last year.

### TAX LEVY VS. TAX RATE

There is an important difference between tax levies and tax rates. The tax levy represents the dollar amount of property tax revenue in a local government's budget. The tax rate is the amount assessed against each \$1,000 of assessed value of property subject to the property tax. The tax rate is set at an amount required to generate the total tax levy revenue included in a local government's annual budget.

## 2018 CITY PROPERTY TAX LEVY DISTRIBUTION BY PURPOSE



The largest proportion of the 2018 city property tax levy is used for general city purposes, followed by retirement provisions, and capital/debt service.

## MUNICIPAL SERVICES CHARGES

Milwaukee Water Works manages billing for water charges, Milwaukee Metropolitan Sewerage District (MMSD) service, and City of Milwaukee municipal services. The Milwaukee Municipal Services Bill includes nine charges:

### Milwaukee Water Works Charges

- Water Service Charge and Water Usage Charge: The cost of Milwaukee water service is one cent per two gallons, including water use and service charges and the public fire protection charge which pays for hydrant maintenance. Water use and service charges for the average single family Milwaukee customer are \$234 per year.

### MMSD Charges

- MMSD Sewer Treatment Service Charge and MMSD Sewer Treatment Usage Charge: The city collects MMSD user charges for operations from customers based in the city and transmits the revenue to the sewerage district, which is a separate governmental entity. The average single family household pays \$141 annually for MMSD service. MMSD levies its own property tax for its capital improvements budget.

### City of Milwaukee Municipal Services Charges

- Local Sewerage Charge: A charge for city sewer services based on water usage.
- Storm Water Management Charge: A charge for storm sewer management services based on the amount of impervious surface area of a property.
- Snow and Ice Removal Charge: A charge per foot of street frontage for all property that partially offsets the cost of snow and ice control operations. This is an annual charge that appears on the last bill of the year.
- Solid Waste Charge: This charge funds operations for garbage collection, recycling, the self-help centers, and other solid waste services.
- Extra Garbage Cart Charge: Units with more than one garbage cart are charged \$15 per quarter per extra cart.

### Average Annual 2018

#### Municipal Services Charges:

Local Sewerage Charge	\$95
Storm Water Management Charge	\$83
Snow and Ice Removal Charge	\$39
Solid Waste Charge	\$209
<b>Total</b>	<b>\$426</b>



# EXPENDITURES

The following summarizes 2018 budgeted city expenditures by major category: public works, public safety, neighborhoods and development, general government, culture and recreation, health, debt, and retirement benefits.

## ■ PUBLIC WORKS \$417 million

Approximately 27% of the overall budget is devoted to public works-related spending. This includes maintenance of the city's streets, sewers, and facilities and services such as garbage collection, snow and ice control, forestry, and water works. The General City Purposes Fund includes \$117.7 million for public works-related spending.

### 2018 Budget Highlights:

- \$65 million for core infrastructure programs including streets, bridges, street lighting, and sewers. Funding improves pavement and bridge conditions, reduces street lighting outages, and protects public health and the environment.
- DPW collects waste weekly from approximately 191,000 households. In 2016, approximately 179,400 tons of residential solid waste were collected. In addition, 25,326 tons of recyclables and 29,416 tons of compost and other materials, or 25% of residential waste was diverted from landfills. The 2018 budget continues these service levels at a cost of approximately \$39.6 million.
- Fund 18 miles of water main replacement and expand the program to replace lead water service lines.
- \$14.1 million to improve the condition and extend useful life for 21 miles of local streets and high traffic streets serving commercial corridors. This improves street quality and supports neighborhood development.
- \$1 million to replace outdated series circuitry-based street lights with multiple circuitry, in order to reduce electrical outages in areas with the most frequent problems.
- \$33 million to relay or line 18 miles of local sewers, targeting areas with the greatest risk of sewer backups.



## ■ PUBLIC SAFETY \$393 million

Approximately 26% of the budget is devoted to public safety-related expenses. This includes expenses for the Police Department, Fire Department, Fire and Police Commission, and Municipal Court.

### 2018 Budget Highlights:

- Fund an average annual sworn Police strength of 1,861, a reduction of 27 sworn officers from 2017, or -1.4%.
- \$1.1 million in the Police Department for body worn cameras.
- Continue the Police Ambassador program.
- Add eight additional Community Service Officers to improve response to calls for service.
- Provide funding to assist in implementation of the US DOJ Collaborative Reform Initiative Draft Report's recommendations.
- Add staff to the Fire & Police Commission to better respond to citizen complaints and to establish a risk management initiative to improve Police Department operations.
- Decommission five heavy fire apparatus in 2018; the number of med units remains unchanged. However, response time to fire suppression and emergency medical service calls will continue to exceed national standards as well as maintaining high survival rates for victims of penetrating trauma.



## ■ CITY DEBT \$280 million

Approximately 18% of the budget funds principal and interest payments for city borrowing. The tax levy share for debt in 2018 is \$66 million or 24% of the total tax levy. The debt budget also includes revenues of \$28.2 million from tax increments, which offset the borrowing costs associated with Tax Increment Finance redevelopment projects.



## ■ NEIGHBORHOODS & DEVELOPMENT \$165 million

About 11% of the budget is devoted to spending for neighborhoods and development. This includes expenses for the Department of City Development, Department of Neighborhood Services, Port of Milwaukee, Board of Zoning Appeals, as well as several special purpose accounts.

### 2018 Budget Highlights:

- The Strong Neighborhoods Plan encourages the purchase of and investment in city-owned properties to revitalize the housing stock and increase home ownership. The Strong Homes Loan and Compliance Loan programs enable repairs and improvements to approximately 154 privately-owned homes in 2018.
- Take aggressive action to generate redevelopment and tax base growth by collaborating with private sector partners on areas such as the Century City Business Park, Reed Street Yards Business Park, Granville Station, Midtown shopping center, the Inner Harbor, Bronzeville, and other Milwaukee neighborhoods.

## ■ GENERAL GOVERNMENT \$102 million

Approximately 7% of the budget is used for general government spending, including expenses for the Department of Administration, Assessor's Office, City Attorney, City Clerk, Comptroller's Office, Election Commission, Department of Employee Relations, Mayor's Office, and Treasurer's Office.

## ■ RETIREMENT BENEFITS \$126 million

The City has a home rule defined-benefit pension plan, the City of Milwaukee Employees' Retirement System (CMERS). This budget section includes the employer pension contribution to the CMERS (\$83 million in 2018) and the employer share of funding for Social Security and Medicare for covered employees.

## ■ CULTURE & RECREATION \$28 million

About 2% of the budget is devoted to spending for culture and recreation. This includes expenses for the Milwaukee Public Library as well as several special purpose accounts.

### 2018 Budget Highlights:

- Create a new Office on Early Childhood Initiatives
- \$3.95 million for several branch library improvements. This includes funding for the Capitol and Martin Luther King mixed use library renovation programs.
- Funding for all neighborhood libraries to offer service 6 days a week.

## ■ HEALTH \$22 million

Roughly 1.4% of the budget is devoted to public health-related spending. This includes expenses for the Milwaukee Health Department.

### 2018 Budget Highlights:

- The Health Department implements proactive and preventive approaches to address childhood lead poisoning. In 2018 the department will use \$3.1 million in funding to abate 400 housing units.
- Continue funding the provision of water filters to households with vulnerable populations that have lead water service lines.
- Implement a new opiate, heroin and cocaine addiction education campaign.
- The Office of Violence Prevention will begin implementing strategies in the recently completed Blueprint for Peace and will implement a new Neighborhood Violence Prevention Initiative with funding of \$280,000.
- Expand staff and funding for treatment and intervention of sexually transmitted infections.

# PERSONNEL

Approximately 83% percent of the general city purposes budget funds personnel costs. It's important to note that retirement-related costs are included in a separate section of the budget, so this percentage does not fully reflect the impact of fringe benefits on the total budget. There are an estimated 7,230 full time equivalents (FTE) in the 2018 budget (an FTE represents 2,080 hours of budgeted wages). This does not include temporary election workers because annual staffing levels vary based on the number of elections. The largest number of employees work in public safety-related positions, followed by public works-related positions.

## POLICE AND FIRE DEPT. PERSONNEL

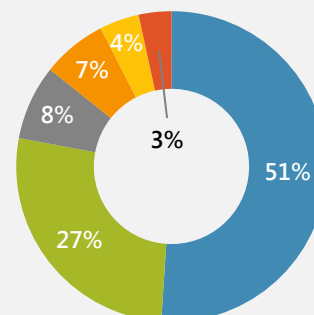
### Police Department

The 2018 budget funds an estimated 2,757 full time equivalents in the Police Department, which includes an average annual sworn strength of 1,861.

### Fire Department

The 2018 budget funds an estimated 883 full time equivalents in the Fire Department, which includes 735 sworn personnel.

CITY OF MILWAUKEE ESTIMATED FULL TIME EQUIVALENTS (FTEs) BY CATEGORY



Public Safety	3,692 FTEs
Public Works	1,943
General Government	563
Neighborhoods & Development	488
Culture & Recreation	299
Health	246

# ADDITIONAL INFORMATION & RESOURCES

## BUDGET INFORMATION

For more detailed information, complete copies of the Adopted Plan and Budget Summary and the Detailed Budget documents are available at <http://city.milwaukee.gov/Budget>

For questions or additional information, contact the Budget Office at (414) 286-3741 or [budget@milwaukee.gov](mailto:budget@milwaukee.gov).

## ADDITIONAL CITY RESOURCES

### Unified Call Center

Residents can submit service requests and receive information about city services through the city's Unified Call Center.

- Phone: (414) 286-CITY
- Web: <http://city.milwaukee.gov/ucc>
- Mobile: MKE Mobile app

### E-Notify

Use E-Notify to receive email and text alert notices from the city: <http://city.milwaukee.gov/enotify>

### City Calendar

Stay up to date on city hall meetings and community events by checking the city calendar: <http://city.milwaukee.gov/calendar>

### Stay Connected

Follow elected officials and city departments on social media: <http://city.milwaukee.gov/connect>

### City Channel

View city meetings and informational programs online: <http://city.milwaukee.gov/cityclerk/CityChannel>

*Community Profile Data Sources: US Census Bureau, 2016 American Community Survey 1-Year Estimates and 2012-2016 American Community Survey 5-year Estimates; BLS, Local Area Unemployment Statistics (2016); City of Milwaukee Assessor's Office (2017)*

*Photo credits: City of Milwaukee Department of Public Works, Milwaukee Police Department, Milwaukee Fire Department, Department of City Development*

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